

Message Text

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY PM/NPO - GGOPLINGER:RF
APPROVED BY PM - RBARTHOLOMEW
S/S - MR. TARNOFF
D - MR. CHRISTOPHER
T - ED MCGAFFIGAN

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FM SECSTATE WASHDC
TO AMEMBASSY LONDON IMMEDIATE

S E C R E T STATE 118031

NODIS

E.O. 11652:GDS

TAGS:MASS, PARM, TECH, IN

SUBJECT: NON-PROLIFERATION: OTHER ISSUES
GELB

FOR GELB ONLY FROM BARTHOLOMEW; EMBASSY NOTIFY GELB
IMMEDIATELY UPON ARRIVAL

1. FOLLOWING IS REVIEW OF BACKGROUND/CURRENT STATUS OF
MAJOR NON-PROLIFERATION ISSUES MOBERLEY MAY ADDRESS IN
ADDITIONAL TO INDIAN NUCLEAR QUESTIONS ADDRESSED SEPTEL.
PLEASE USE THIS ON AN "IF ASKED" BASIS, AND INFORM MOBERLY
THAT JOE NYE WILL HAVE MORE COMPLETE DISCUSSION ON ISSUES.

2. FRG BRAZIL

A. US CONTINUES TO BE CONCERED OVER PROLIFERATION
IMPLICATIONS OF FRG/BRAZIL SENSITIVE ASPECTS -- ESPECIALLY
REPROCESSING TRANSFERS-- AND US BELIEVES THAT MUTUALLY
ACCEPTABLE RESOLUTION OF ISSUES IS VITAL TO RELATIONS

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WITH BOTH FRG AND BRAZIL. FYI ONLY: UNDER CONSIDERATION
AT PRESENT IS US POSITION THAT SATISFACTORY ARRANGEMENTS
CAN BE WORKED OUT ON ENRICHMENT, INVOLVING STRICT TECHNICAL
LIMITATIONS ON ENRICHMENT LEVELS, STRINGENT SAFEGUARDS, FULL
BINATIONAL (GERMAN/BRAZILIAN) MANAGEMENT/OPERATION, AND
POSSIBLE CONFINEMENT OF ANY BRAZILIAN FACILITY TO PILOT-
SCALE OPERATIONS ONLY. US WILL CONTINUE TO SEEK DEFERRAL
OF REPROCESSING IN VIEW SERIOUS PRECEDENTIAL SIGNIFICANCE
OF BRAZILIAN PLUTONIUM PRODUCTION CAPABILITY. HOWEVER,
US HAS NOT RESUMED SUBSTANTIVE DISCUSSIONS WITH EITHER
COUNTRY SINCE FRG ISSUED LICENSES FOR REPROCESSING AND

ENRICHMENT CONCEPTUAL DESIGN DATA (QUOTE BLUEPRINTS
UNQUOTE) TRANSFERS EARLY IN APRIL. END FYI

B. UK CONCERN WITH US POSITION ON FRG-BRAZIL ISSUE
CENTERS ABOUT URENCO FUEL SUPPLY TO BRAZIL. LARGELY AT
US BEHEST, URENCO (UK-FRG-DUTCH CENTRIFUGE ENRICHMENT VEN-
TURE) HAS DELAYED FINALIZING CONTRACT TO FUEL BRAZILIAN
REACTORS ANGRA-II AND III, SCHEDULED TO BEGIN OPERATING IN
1980'S. (US IS SUPPOSED TO SUPPLY FUEL FOR EXISTING
ANGRA-I REACTOR NOW UNDER CONSTRUCTION.) HOWEVER, URENCO
DECISION NOW IMMINENT, AS MOBERLEY HAS INFORMED US (LONDON
8006, LONDON 8287), AND IN RESPONSE TO MOBERLEY INQUIRY,
WE HAVE SENT STATE 11689 (WHICH WAS PASSED TO MOBERLEY)
SAYING THAT WE LEAVE URENCO FUEL SUPPLY ISSUE UP TO
URENCO PARTNERS, THOUGH CONTINUED DEFERRAL OF DECISION
WOULD BE HELPFUL TO OUR EFFORTS WITH BRAZIL. SUPPLY,
HOWEVER, SHOULD NOT INCLUDE INTERNATIONAL PLUTONIUM
STORAGE ARRANGEMENTS, BUT SHOULD BE CONDITIONED ON
BRAZILIAN TREATY OF TLATELOLCO IMPLEMENTATION TO INCLUDE
FULL-SCOPE IAEA SAFEGUARDS, AND SHOULD INVOLVE REPROCESSING
VETOIF AT ALL POSSIBLE.

C. TALKING POINTS/QUESTIONS

-- FUNDAMENTAL US POSITION HAS NOT CHANGED
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-- MUTUALLY ACCEPTABLE RESOLUTION OF US DIFFERENCES WITH
FRG AND BRAZIL IS ESSENTIAL

-- US PLANS TO CONTINUE DIALOGUE WITH CONCERNED
COUNTRIES, BUT TO MINIMIZE PUBLIC DIFFERENCES AND
CONFRONTATIONAL ATMOSPHERE.

-- US STRONGLY DESIRES SUPPORTIVE URENCO DECISIONS AND
ACTIONS, WITHIN TERMS CONVEYED TO YOU RECENTLY (STATE
116869)

-- WHAT IS OUTCOME OF TRILATERAL MINISTERIAL
DISCUSSION ON URENCO?

3. FRANCE/PAKISTAN

A. FRENCH HIGH COUNCIL FOR FOREIGN NUCLEAR POLICY MEETS
UNDER GISCARD'S CHAIRMANSHIP AT ELYSEE MAY 29. US HOPES
FOR POSITIVE FRENCH DECISIONS/ACTIONS ON FULL-SCOPE

SAFEGUARDS AND REPROCESSING TRANSFERS TO PAKISTAN.

B. ON PAKISTAN, PLANNED US DISCUSSIONS WITH
GOVERNMENT THERE NECESSARILY POSTPONED DUE TO PRESENT
TURMOIL. SAME TURMOIL COULD GIVE FRANCE OPPORTUNITY/

RATIONALE TO INDEFINITELY DEFER, IF NOT TERMINATE, FURTHER REPROCESSING TRANSFERS. THIS EVEN MORE IMPORTANT NOW THAT INDIA SHOWS SIGNS OF CHANGE IN NUCLEAR ATTITUDES. FYI. EFFORTS ARE UNDERWAY TO GENERATE MEMO TO SECRETARY RECOMMENDING PRESIDENTIAL LETTER TO GISCARD ENCOURAGING FORTHCOMING FRENCH POSITION ON FULL-SCOPE/PAKISTAN. PROSPECTS, HOWEVER, ARE UNCERTAIN. END FYI.

C. TALKING POINTS/QUESTIONS

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-- US HOPES FOR POSITIVE FRENCH DECISIONS/ACTIONS ON REPROCESSING TRANSFERS TO PAKISTAN

-- TURMOIL IN PAKISTAN HAS DELAYED PLANNED US DISCUSSIONS, BUT COULD ALSO GIVE FRANCE AN OPENING FOR ACTION.

-- US PREPARED TO ASSIST/SUPPORT IN ANY WAY FRANCE WOULD FIND HELPFUL.

-- WHAT HAS UK DONE TO ENCOURAGE FORTHCOMING FRENCH POSITION?

4. JAPAN REPROCESSING ISSUES.

A. IN THE PAST, THE UK HAS REPROCESSED SPENT MAGNOX FUEL FROM JAPANESE POWER REACTORS, RETURNING THE PLUTONIUM TO JAPAN. JAPANESE OBJECTIVES HAVE BEEN TO ALLEVIATE THE PROBLEM OF STORING SPENT FUEL AND TO OBTAIN PLUTONIUM FOR EXPERIMENTAL WORK IN MIXED OXIDE FUELS AND FAST BREEDERS, WHICH THEY MAINTAIN ARE ESSENTIAL FOR JAPAN'S ECONOMY. THE JAPANESE INTEND TO REDUCE THEIR DEPENDENCE ON FOREIGN REPROCESSING SERVICES BY DEVELOPING THEIR OWN COMMERCIAL-SCALE REPROCESSING CAPABILITY, BUT THEY WANT TO REPROCESS US-ORIGIN FUEL AT WINDSCALE (UK) AND LA HAGUE (FRANCE) INTO THE 1980S. OUR AGREEMENT FOR COOPERATION WITH JAPAN PROVIDES US A RIGHT OF VETO OVER REPROCESSING OF JAPANESE SPENT FUEL EITHER IN JAPAN OR ELSEWHERE. WE DO NOT HAVE SUCH A RIGHT IN OUR AGREEMENT WITH THE EURATOM COUNTRIES, AND THE JAPANESE THUS HAVE A BASIS FOR ARGUING THAT WE ARE DISCRIMINATING AGAINST THEM IN

REFUSING TO AUTHORIZE EITHER THE START-UP OF THE TOKAI REPROCESSING PLANT IN JAPAN OR SHIPMENT OF SPENT FUEL TO COMMERCIAL REPROCESSING FACILITIES IN THE UK (WINDSCALE) AND FRANCE (LA HAGUE). THE DILEMMA FOR THE US IS THAT TO AVOID "DISCRIMINATION" WE MUST EITHER
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UPGRADE OUR EURATOM AGREEMENT TO INCLUDE A REPROCESSING VETO (WHICH WE WILL SEEK TO DO OVER TIME) OR WE MUST LET THE JAPANESE REPROCESS (WHICH RUNS COUNTER TO OUR OBJECTIVE TO DEFER COMMERCIAL REPROCESSING.) FOLLOWING DESCRIBES THE STATE OF PLAY ON THESE ISSUES:

B. TOKAI. AS PART OF THE DEVELOPMENT OF THEIR OWN REPROCESSING CAPABILITY, THE JAPANESE HAVE INVESTED \$200 MILLION IN A PILOT-SCALE REPROCESSING PLANT AT TOKAI-MURA. THE PLANT IS DESIGNED TO HANDLE US-ORIGIN LIGHT WATER REACTOR FUEL, AND THE JAPANESE WANT TO BEGIN HOT TESTING IN JULY. THE US OPPOSES DEVELOPMENT OF NEW INDIGENOUS REPROCESSING CAPABILITIES, INCLUDING IN JAPAN, AND CAN ENFORCE THIS OPPOSITION THROUGH A RIGHT OF VETO OVER PLANS TO REPROCESS US-ORIGIN FUEL. THE PROBLEM, BOTH AS A NUCLEAR ISSUE AND AS A POLITICAL CONFRONTATION WITH THE US, HAS BECOME A HOT DOMESTIC ISSUE ON THE EVE OF JAPANESE LEGISLATIVE ELECTIONS. A SERIES OF TECHNICAL LEVEL TALKS LAST MONTH FAILED TO IDENTIFY A BASIS FOR RESOLVING THE PROBLEM. WE WILL BE MEETING WITH THE JAPANESE AGAIN AT THE BEGINNING OF JUNE. WE AS YET HAVE NO PRESIDENTIAL GUIDANCE TO BRING TO THESE TALKS. WORKING-LEVEL OPTIONS, POINTED TOWARD RESOLVING AS FAR AS POSSIBLE THE CONFLICT BETWEEN JAPANESE PLANS AND US POLICY ON REPROCESSING, WOULD LOOK TOWARD EITHER PLACING TOKAI UNDER SOME FORM OF INTERNATIONAL SUPERVISION/ PARTICIPATION OR OBTAINING JAPANESE AGREEMENT TO REPLUMB THE FACILITY FOR COPROCESSING RATHER THAN PLUTONIUM SEPARATION. THE FORMER SOLUTION MIGHT FOLD INTO INFCEP AND IF MUTUALLY ACCEPTABLE COULD PERMIT START-UP OF THE PLANT ON SCHEDULE. THE LATTER WOULD REQUIRE AN EXTENSIVE DELAY IN OPERATING THE PLANT, WHICH THE JAPANESE WOULD STRENUOUSLY RESIST.

C. MB-10S UNDER STRONG PRESSURE FROM JAPAN, WHICH CITED SERIOUS SPENT FUEL STORAGE PROBLEMS, IN JANUARY
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WE EXTENDED A ONE-TIME AUTHORIZATION (AN MB-10) FOR JAPAN TO SHIP US-ORIGIN FUEL TO THE UK FOR REPROCESSING. WE DID NOT AUTHORIZE RESHIPMENT OF THE PLUTONIUM BACK TO JAPAN. JAPAN SEEKS US APPROVAL TO SHIP UP TO 4000 TONNES OF SPENT FUEL TO THE UK AND FRANCE OVER THE NEXT DECADE FOR REPROCESSING, BUT FOR THE US TO DO SO WOULD REQUIRE A

VARIANCE FROM US POLICY ON REPROCESSING. THE JAPANESE IN FACT HAVE A SERIOUS SPENT FUEL PROBLEM WHICH IN THE ABSENCE OF MB-10 APPROVALS COULD REQUIRE THAT WE TAKE BACK THE SPENT FUEL FOR STORAGE.

WITH RESPECT TO OVERALL US POLICY ON MB-10S, THE PRESIDENT HAS DECIDED AND WE HAVE INFORMED THE BRITISH

AND FRENCH THAT WE WILL PERMIT TRANSFERS FOR REPROCESSING ONLY ON A CASE-BY-CASE BASIS, AND THEN ONLY UPON DEMONSTRATED NEED (WHICH WE ARE DEFINING AS SERIOUS SPENT FUEL STORAGE POOL CONGESTION.) THE UK AND FRANCE ARE UPSET OVER THIS DECISION, AND IT HAS BECOME PERHAPS THE MAJOR OUTSTANDING NUCLEAR POLICY ISSUE BETWEEN US. THE UK AND FRANCE ARE STILL FREE TO REPROCESS EURATOM FUEL, WHICH ALLEVIATES THEIR OWN PROBLEMS IN THIS AREA-AT LEAST UNTIL WE UPGRADE OUR EURATOM AGREEMENT TO (NCLUDE A REPROCESSING VETO. HOWEVER, THE UK HAS BEEN COUNTING ON DEVELOPING A MAJOR COMMERCIAL REPROCESSING CAPABILITY. AS PART OF THE JAPANESE-UK REPROCESSING DEAL, JAPAN PROVIDED A SUBSTANTIAL DOWN-PAYMENT WHICH THE BRITISH INTENDED TO USE AS CAPITAL TO BUILD A LARGE REPROCESSING PLANT DEDICATED TO FOREIGN SPENT FUEL. OUR REFUSAL TO PERMIT TRANSFER OF JAPANESE FUEL MEANS THAT THE BRITISH WILL NOT HAVE THIS CAPITAL AND, MORE FUNDAMENTALLY, UNDERMINES ON A CONTRACTUAL BASIS THE UK'S PLANNED ROLE AS A SUPPLIER OF FUEL SERVICES.

IF THE BRITISH RAISE THE MB-10 ISSUE, YOU WILL BE IN THE POSITION OF DEFENDING A POLICY WHICH IS HAVING A
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DIRECT AND SERIOUS ADVERSE EFFECT ON THEIR OWN POLICY.
YOU MIGHT RESPOND ALONG THE FOLLOWING LINES:

-- THE US HAS NOT PREJUDGED THE QUESTION OF REPROCESSING AND PLUTONIUM RECYCLE.

-- THE PURPOSE OF INFCEP IS TO EXAMINE WHETHER THERE ARE SAFER ALTERNATIVES THAT WILL MEET WORLD ENERGY NEEDS WITHOUT EXCESSIVE ECONOMIC AND ENERGY PENALTIES AND TO EXPLORE POSSIBLE INSTITUTIONAL AND TECHNICAL WAYS TO MAKE A PLUTONIUM ECONOMY SAFER, IF THE OUTCOME OF INFCEP SUPPORTS THE NEED FOR PLUTONIUM RECYCLE.

-- WE RECOGNIZE THAT THERE ARE TEMPORARY COSTS INVOLVED IN PURSUING THIS POLICY, BUT WE BELIEVE THAT WORLD SECURITY CONCERNS OVER-RIDE ALL OTHER CONSIDERATIONS AT THIS TIME.

-- OUR OWN DEFERRAL OF REPROCESSING HAS BEEN A DIFFICULT DECISION, AND HAS REQUIRED MAJOR REDIRECTION OF OUR NUCLEAR ENERGY PROGRAMS FOR THE DURATION OF THIS PERIOD OF INTERNATIONAL STUDY.

5. INFCEP. PRESIDENT ANNOUNCED ON APRIL 7TH CERTAIN DECISIONS CONCERNING US DOMESTIC NUCLEAR PROGRAM, INCLUDING INDEFINITE DEFERRAL OF COMMERCIAL REPROCESSING IN U.S., AND SUBSTANTIAL REDUCTION AND REDIRECTION OF U.S. BREEDER PROGRAM TO DEEMPHASIZE PLUTONIUM BREEDER. HE ALSO

PROPOSED AN INTERNATIONAL FUEL CYCLE EVALUATION PROGRAM AIMED AT EXPLORING ALTERNATIVE AND SAFER FUEL CYCLES TO MEET WORLD ENERGY NEEDS. US DISCUSSED INFCEP PROPOSAL IN DETAIL WITH OTHER SUPPLIERS AT APRIL 28-29 MEETING OF NUCLEAR SUPPLIERS GROUP AND PROVIDED THEM AND WIDE GROUP OF OTHER COUNTRIES A PAPER DESCRIBING THE POSSIBLE CONTENT AND ORGANIZATION OF SUCH A PROGRAM. MAY SUMMIT COMMUNIQUE ANNOUNCED THAT SUMMIT COUNTRIES WOULD UNDERTAKE TWO-MONTH
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STUDY TO DEFINE TERMS OF REFERENCE FOR INTERNATIONAL FUEL CYCLE EVALUATION. WE WILL DISTRIBUTE REVISED INFCEP PAPER TO SUMMIT COUNTRIES AND OTHER PROBABLE PARTICIPANTS IN INFCEP WHICH WE HOPE WILL BECOME BASIS FOR TERMS OF REFERENCE. WE HAVE WORKED CLOSELY WITH UK (THROUGH MOBERLEY) TO SET UP TWO-MONTH STUDY; SUMMIT EXPERTS WILL MEET, PROBABLY IN PARIS ON JUNE 8-9 TO LAUNCH STUDY AND IF NECESSARY AGAIN AT MARGINS OF JUNE 22-23 NSG MEETING IN LONDON. PRIMARY US CONCERN IN THIS PHASE IS TO AVOID IMPRESSION THAT SUMMIT COUNTRIES ARE IMPOSING TERMS OF REFERENCE ON OTHERS AND MINIMIZE NORTH-SOUTH, RICH/POOR IMPLICATIONS WHICH COULD UNDERMINE ACCEPTANCE OF AND PARTICIPATION IN INFCEP BY OTHERS. SUBSTANTIVELY, MAIN ISSUE IN ESTABLISHING TERMS OF REFERENCE IS ROLE OF REPROCESSING IN INFCEP; US AND EUROPEANS EACH WISH TO AVOID HAVING TERMS OF REFERENCE PREJUDGE OUTCOME OF INFCEP ON THIS CENTRAL ISSUE. US HAS SAID THAT WHILE WE WILL PARTICIPATE IN PAPER STUDIES OF REPROCESSING WITHIN INFCEP, AND MAKE AVAILABLE RESULTS OF OUR EXPERIENCE, AND RESEARCH, WE WILL NOT PARTICIPATE IN PROJECTS WHICH INVOLVE PHYSICAL REPROCESSING ACTIVITIES. NUMBER OF LESSER ISSUES, INCLUDING HOW INFCEP WILL BE ORGANIZED AND ITS RELATIONSHIP TO IAEA, REMAIN TO BE RESOLVED BUT NO SHARP DIFFERENCES HAVE EMERGED YET. IN GENERAL, US ENVISAGES SERIES OF SEPARATE PROJECTS(SOME PAPER STUDIES, SOME INVOLVING HARDWARE AND R&D), EACH OF WHICH WOULD BE ORGANIZED BY LEAD COUNTRY OR COUNTRIES. INFCEP STEERING GROUP, COMPOSED OF LEAD COUNTRIES AND OTHERS WITH MAJOR INTERESTS IN COMPONENT PROJECTS, WOULD PULL RESU4TS TOGETHER AND PROVIDE OVERALL MANAGEMENT. US BELIEVES IAEA SHOULD PLAY MAJOR ROLE IN INFCEP, AND FULL USE SHOULD BE MADE OF ITS EXPERTISE AND SECRETARIAT CAPABILITIES, BUT INFCEP SHOULD NOT BECOME AN IAEA PROGRAM. WE VIEW INFCEP AS A PROCESS AND DO NOT LOOK FOR FORMAL AGREED CONCLUSIONS OR ANY DEADLINE FOR COMPLETION OF ITS WORK.

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6. NUCLEAR SUPPLIER GROUP:

UK HAS MAJOR INTEREST IN THIS SUBJECT; HAS HOSTED ALL MEETINGS AND IS ONE OF MAJOR PROPONENTS OF FULL-SCOPE SAFEGUARDS CONCEPT WHICH IS PRIMARY ISSUE NOW BEFORE NSG. MEETINGS OF THE NSG IN NOVEMBER 1976 AND APRIL 1977 WERE INTENDED TO COMPLETE A REVIEW OF THE GUIDELINES, BUT FAILED TO REACH CONSENSUS. A FURTHER MEETING IS NOW SCHEDULED FOR JUNE 23-24 IN LONDON. THE MAIN ISSUES ARE:

-- FULL-SCOPE SAFEGUARDS. THE GUIDELINES PRESENTLY COMMIT SUPPLIERS TO REQUIRE IAEA SAFEGUARDS ON SUPPLIED MATERIAL AND EQUIPMENT. UK, USSR, AND CANADA HAVE URGED THIS PROVISION BE EXTENDED TO REQUIRE IAEA SAFEGUARDS ON "ALL" OF A RECIPIENT'S NUCLEAR ACTIVITIES AS CONDITION OF SUPPLY. CANADA HAS ADOPTED LATTER POLICY UNILATERALLY; UK AND USSR WILL APPLY ONLY IF OTHER SUPPLIERS DO SO. IN RECENT DECISION, PRESIDENT ADOPTED MODIFIED FORM OF FULL-SCOPE SAFEGUARDS AS US POLICY IN ALL NEW AND AMENDED AGREEMENTS AND WE ARE NOW STRONGLY SUPPORTING ITS ADOPTION IN LONDON GUIDELINES. FRENCH HAVE CONSISTENTLY OPPOSED FULL-SCOPE, BUT AT APRIL NSG MEETING TOLD US FRENCH POSITION WOULD BE REVIEWED BY GISCARD BEFORE NEXT MEETING. GERMANS HAVE BEEN HIDING BEHIND FRENCH SKIRTS, BUT OUR ESTIMATE IS THEY WILL PROBABLY GO ALONG IF FRENCH POSITION CHANGES.

-----SANCTIONS. AT APRIL MEETING, THERE SEEMED TO BE GENERAL AGREEMENT TO INCLUDE IN GUIDELINES PROVISION ON COMMON SUPPLIER ACTION IN THE EVENT OF A SAFEGUARDS

VIOLATION OR TERMINATION. SEVERAL FORMULATIONS ARE BEING CONSIDERED IN SUPPLIER CAPITALS, AND WE BELIEVE PROSPECTS ARE GOOD FOR REACHING SOME CONSENSUS IN JUNE.

ARTICLE 9 -- GUIDELINES CONTAIN HORTATORY PROVISION
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RECOGNIZING VALUE OF SUPPLIER VETO ON REPROCESSING OF SUPPLIED FUEL; US, CANADA, AND USSR WANT TO MAKE

THIS MANDATORY. SUPPORT FOR THIS CHANGE FROM EUROPEANS HAS DWINDLED WITH RECENT U.S. POLICY DECISIONS ON REPROCESSING; UK, FRANCE, AND FRG ARE NOW RELUCTANT TO ENDORSE PRINCIPLE OF SUPPLIER VETO WHEN US IS EXERCISING SUCH VETO RIGHTS TO THEIR COMMERCIAL DISADVANTAGE (E.G. IN CASE OF JAPANESE SPENT FUEL).

-- FUTURE OF NSG. THERE WAS APPARENT CONSENSUS AT APRIL MEETING THAT AFTER COMPLETION OF GUIDELINES REVIEW, GUIDELINES SHOULD BE MADE PUBLIC AND OTHER COUNTRIES INVITED TO JOIN. FRG PRESSED FOR IMMEDIATE PUBLICATION

AND EXPANSION, WHICH WE OPPOSE. WHILE ALL PARTICIPANTS

RECOGNIZE NEED TO GIVE RECIPIENTS A MEANINGFUL VOICE IN NUCLEAR EXPORT MATTERS, UNRESOLVED QUESTION IS WHETHER THIS CAN BE BETTER ACHIEVED THROUGH PARTICIPATION IN NSG OR IN INFCEP. IF POSSIBLE, US WOULD LIKE TO PRESERVE UTILITY OF NSG (WHICH WILL BE WEAKENED IF LARGE NUMBER OF LDC'S JOIN THE CLUB). US AND UK ARE GENERALLY AGREED, HOWEVER, THAT FOLLOWING GUIDELINES REVIEW, COUNTRIES WILLING TO ACCEPT THE GUIDELINES SHOULD BE INVITED TO JOIN.

TALKING POINT: YOU MAY WISH TO ASK MOBERLEY IF THEY HAVE ANY FURTHER INDICATIONS OF WHERE THE FRENCH NOW STAND ON FULL-SCOPE SAFEGUARDS, AND WHETHER THEY BELIEVE THAT THE FRG WILL FOLLOW SUIT IF THE FRENCH POSITION SHOULD BE CHANGED.

7. LEGISLATION: ON APRIL 27TH, THE ADMINISTRATION SUBMITTED TO CONGRESS A PROPOSED NUCLEAR NON-PROLIFERATION POLICY ACT OF 1977. THE BILL INCLUDES TIGHTER CONDITIONS FOR GRANTING EXPORT LICENSES FOR SENSITIVE MATERIALS AND NEW CRITERIA WE WOULD REQUIRE IN NEW AGREEMENTS FOR COOPERATION
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IN THE NUCLEAR FIELD. WE PLAN TO SEEK TO UPGRADE EXISTING AGREEMENTS ALONG THE SAME LINES. THE ACT WOULD PERMIT US TO MEET OUR COMMITMENTS AND REESTABLISH THE US AS A RELIABLE SUPPLIER OF NUCLEAR FUEL TO THOSE COUNTRIES COOPERATING IN OUR NON-PROLIFERATION EFFORTS. WE WILL ALSO BE MORE RESTRICTIVE IN OUR EXPORTS OF HIGHLY ENRICHED URANIUM AND CONSIDER ON A CASE-BY-CASE BASIS OUR APPROVALS OF REQUESTS BY OTHER COUNTRIES TO RETRANSFER US-ORIGIN SPENT FUEL TO THIRD COUNTRIES FOR REPROCESSING.

WHAT WE ARE ABLE TO DO IN SOME MAJOR OUTSTANDING CASES (E.G., FUEL TO INDIA, AGREEMENTS FOR COOPERATION WITH ISRAEL AND EGYPT) WILL DEPEND HEAVILY ON THE OUTCOME OF OUR LEGISLATIVE EFFORT. WE BELIEVE IT IS OF CRITICAL IMPORTANCE THAT NEW LEGISLATION EXTEND BEYOND APPLICATION OF ADDITIONAL CONSTRAINTS, AND PROVIDE US WITH THE MEANS TO OFFER INCENTIVES (SUCH AS ASSURED FUEL SUPPLY) AWAY FROM DEVELOPMENT OF SENSITIVE FUEL CYCLE TECHNOLOGIES IN ADDITIONAL NON-NUCLEAR STATES. UNTIL THE FUTURE OF THE ADMINISTRATION BILL BECOMES MORE CLEAR (VARIOUSLY ESTIMATED AS REQUIRING FROM A FEW WEEKS TO SEVERAL MONTHS), WE WILL BE UNABLE TO DETERMINE WHAT OUR FUTURE NUCLEAR EXPORT PROGRAM WILL LOOK LIKE. IN HEARINGS THUS FAR, THE BILL HAS BEEN FAVORABLY RECEIVED BY OUTSIDE WITNESSES (PARTICULARLY EXPERTS FROM THE ACADEMIC FIELD).

8. FRENCH ENRICHMENT PROCESS: THE FRENCH RECENTLY

ANNOUNCED DEVELOPMENT OF A NEW, PROLIFERATION-PROOF ENRICHMENT TECHNOLOGY SUITABLE FOR EXPORT TO NON-NUCLEAR STATES.

(FYI: IT IS OF SUCH IMPORTANCE TO THE FRENCH THAT GISCARD PERSONALLY PROVIDED A PRESS BACKGROUNDER IN PARIS ON THE DAY OF THE ANNOUNCEMENT.) THE BRITISH MIGHT SEEK AN INITIAL US REACTION TO THE FRENCH ANNOUNCEMENT, PARTICULARLY AS IT MIGHT AFFECT FUTURE US OPPOSITION TO TRANSFERS OF ENRICHMENT TECHNOLOGY. IN RESPONSE, YOU CAN NOTE THAT WE HAVE
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LITTLE INFORMATION ON THE PROCESS SO FAR, AND HAVE ONLY TENTATIVE THOUGHTS ON THE SUBJECT. FROM WHAT LITTLE WE KNOW, IT APPEARS THAT THE FRENCH CLAIM THAT THE PROCESS CANNOT BE USED TO PRODUCE HIGHLY ENRICHED URANIUM IS VALID. THE PROBLEM, AS WE SEE IT AT THIS EARLY STAGE, IS THAT THE FRENCH PROCESS WOULD ACCOMPLISH A MAJOR PORTION OF THE SEPARATIVE WORK REQUIRED TO ENRICH URANIUM TO WEAPONS GRADE. THUS, IF IT PROVED POSSIBLE TO DIVERT LOW ENRICHED PRODUCT FROM A PLANT OF THE FRENCH TYPE (WE KNOW NOTHING OF ITS SAFEGUARDABILITY) A POTENTIAL PROLIFERATOR WOULD HAVE FEED MATERIAL FOR A RELATIVELY CRUDE CLANDESTINE CENTRIFUGE PLANT THAT WOULD COMPLETE THE ENRICHMENT PROCESS. WHILE WE ARE CERTAINLY INTERESTED IN WHAT THE FRENCH HAVE TO SAY ON THIS SUBJECT, WE WILL NEED MUCH FURTHER INFORMATION BEFORE WE CAN JUDGE IT AS A SOLUTION TO THE PROLIFERATION PROBLEM. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BRIEFING MATERIALS, CAT-B, NUCLEAR COOPERATION PROGRAMS, NUCLEAR PROLIFERATION, NUCLEAR SAFEGUARDS, POLICIES
Control Number: n/a
Copy: SINGLE
Sent Date: 21-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE118031
Document Source: ADS
Document Unique ID: 00
Drafter: PM/NPO - GGOPLINGER:RF
Enclosure: FOR GELB ONLY
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: P840081-2570, N770003-0463
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197705110/baaaewal.tel
Line Count: 462
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 516de888-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: NODIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2346447
Secure: LOCK1
Status: <DBA CORRECTED> srp 970903
Subject: NON-PROLIFERATION: OTHER ISSUES GELB FOR GELB ONLY FROM BARTHOLOMEW; EMBASSY NOTIFY GELB IMMEDIATELY UPON ARRIVAL 1. FOLLOWING IS REVIEW OF BACKGROUND/CURRENT STATUS OF MAJOR NON-PROLIFERATION ISSUES MOBERLEY MAY ADDRESS IN
TAGS: MASS, PARM, TECH, BR, GE, IN, JA, PK, UK, US
To: LONDON
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/516de888-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009